Cryptocurrency Investing Alert: 10 Investing Mistakes to Avoid

Can I be painfully honest with you for a moment about cryptocurrency investing?

When you're new at it, you can lose money. Yes, there is a learning curve to crypto investing because it's different from traditional investments.

You've seen other people invest in crypto fearlessly, and they are making great returns on their investments.

So, how did they avoid losing money while they were learning?

Let me give you a secret – if they could learn how to do it without losing their shirts, you can too.

In this post, you are going to learn what mistakes to avoid in cryptocurrency investing. Once you know some of these basic tactics, you'll be able to invest more confidently and profitably.

Cryptocurrency Investing Mistake #1 – Buying Before Safeguarding Yourself

Before you begin to invest in cryptocurrency, you need to have your finances and other investments in place before taking on the risk. You should also have emergency funds in your account before you do anything. Considering the financial calamities we have experienced over the last two years, it is a wise step to take. According to financial planners, many of their clients experienced a loss of a job that lasted more than nine months. So, it is wise to have reserves as a priority in your finances. Another good idea would be to pay off any high-interest debts like credit cards first. You cannot depend on the revenue of cryptocurrency investments to settle these debts, so pay those liabilities off first. You can only strengthen your financial position by taking these steps before you act.

Cryptocurrency Investing Mistake #2 – Starting Without Investment Goals

You will need to think about your short to long-term financial goals before getting into cryptocurrency. Even if you are young and single you need to consider that retirement is always on the horizon. So, you have to consider your long game first. There are other short-term goals to think about too. If you are young, single, and have a solid income, you can probably afford to start investing. However, if you are young, single, and getting married in a few months, that changes the dimension of your life considerably. You will have a wide range of shorter-term goals to think about, like buying a house, having kids, getting a bigger family car, and other priorities. Planning for events like this ahead of time can give you more flexibility in your investing strategies. Before investing in cryptocurrency, it would be wise to consider these factors before getting too deep into it.

Cryptocurrency Investing Mistake #3 – Not Starting Small

It is advisable to start small in crypto investing. As mentioned earlier, cryptocurrency has a learning curve, and it is not like a traditional investment. It has its own words, phrases, tools, strategies and operates through computers and online exchanges. So, if you are not tech-savvy, you are going to be at a disadvantage. However, you can always take online courses or work with investment coaches to teach you the ropes.

It will take time, but it will be worth it if you learn as much as you can. If you keep your crypto investments small at the onset, you can dabble enough with them over time to become knowledgeable about how all the different components work. That way, if you lose your cryptocurrency investments, it won't be so devastating. A good number to start at is $500 or less.

Cryptocurrency Investing Mistake #4 – Investing in Too Many Kinds of Crypto

When you start investing in cryptocurrency, you don't want to buy every kind of coin under the sun. It would be advisable to get **safer coins** on the front end and expand your portfolio as you move forward in knowledge and confidence. You will probably want to invest in Bitcoin, Cardano, and Ethereum first and add others later.

Cryptocurrency Investing Mistake #5 – No Clue of Technical Analysis Basics

Investing in cryptocurrency is volatile. To make money in this market, you should have some basic strategies in place. It is important to have facts and data about trading cryptocurrency to create a plan for your investments. By analyzing the activity of your assets, you will have a better idea of what their value might be in the future. Technical analysis uses real-world data to help predict changes in the market that will be profitable for you. It is a good idea to learn how to look at past statistics of cryptocurrency to make wise decisions. Factors like volume, movement, and inherent value are statistics you should investigate. Technical analysis uses analytic charts and tools to evaluate the patterns of digital currency. Even though cryptocurrency investing is different from traditional securities like stocks, the **technical analysis** is very similar. There are other considerations while working in this fickle market. Data and records about trend lines, support and resistance levels, market caps, and trading volumes all come into play. You won't have to understand all of this while starting, but it will pay to learn as much as you can if you are serious about investing in crypto.

Cryptocurrency Investing Mistake #6 – Overtrading

When you buy and sell an extreme quantity of financial instruments, it is known as churning. By law, brokers aren't allowed to do this because they will make all kinds of commissions on a client's account. In cryptocurrency, you can overtrade, but usually, it will damage your portfolio. To do the proper scrutiny of cryptocurrency investments would be very time-consuming. If you are doing all kinds of technical analysis, you'll find that trading on a high volume is not practical.

Cryptocurrency Investing Mistake #7 – Undertrading

Undertrading is the opposite of overtrading. Of course, it's not illegal or unethical, but it can ruin your chances of making money with cryptocurrency investing.

Usual undertrading traits are:

- little to no trading exercised
- small positions held
- over analyzing the investments

One of the usual reasons people under-trade is fear. Fear of losing money, making mistakes, looking stupid, or pressure from other people and relatives is common. However, educating yourself about investing in cryptocurrency and having a trading plan will give you the courage and confidence you need. Also, using a mentor or having access to a professional advisor will help too.

Cryptocurrency Investing Mistake #8 – Emotional Trading

Just like other investments, trading cryptocurrency can be emotional. Like stocks, options, and traditional currency trading, cryptocurrency can be fast-paced. It can also be varied as there are a lot of different kinds of trades and buys to make. Some people hang onto crypto, hoping it will gradually increase in value over time. Other people trade during volatile sessions in short-term day trading. It can be profitable and dangerous, and that's what makes it such an emotional rollercoaster.

If you remember earlier, we mentioned that planning is vital. If you want to override emotions with your cryptocurrency investing, you should draft a plan. Having a plan and understanding the risks of crypto will help you reach your short-term and long-term financial goals. You will need to consider different issues with your financial plan. What kind of strategies will you use? Will you be buying, holding, or trading? How much money can you afford to lose by investing in cryptocurrency? Do you have a basic strategy in place for your cryptocurrency investments before taking risks? Having a solid plan with some knowledge is vitally important. Once again, working with a financial counselor who is a cryptocurrency expert would be very beneficial.

Cryptocurrency Investing Mistake #9 – Picking the Wrong Exchange

Trading exchanges are online market places where you can buy, sell, and trade your cryptocurrency. Some of these platforms have just a few coins to buy and trade while others have large lists of them. Factors like cryptocurrency pairs (also called “trading pairs”) are an important feature. This is a feature of a trading exchange in which you can quickly and seamlessly trade on cryptocurrency for another. For example, Bitcoin and Ethereum are trading pairs and are usually identified like this – Ethereum/Bitcoin Cash (ETH/BCH). Another important thing to think about is where your exchange is located. If you use a location where you live at, you’ll be able to stay within legal requirements of your country. One other thing to think about with cryptocurrency exchanges is security. Security in a platform is always critical and having a good support team at the exchange you are trading at is very important. One thing to keep in mind is the more stringent the log in process is at the cryptocurrency exchange you are using, the better the security will be.

Cryptocurrency Investing Mistake #10 – Not Working with a Cryptocurrency Mentor/Advisor

When you are learning a new and challenging investing vehicle like cryptocurrency, you need expert advice. However, you must be careful in your quest to find an expert who can help you. Cryptocurrency advisors and mentors can help flatten the learning curve but beware. Because cryptocurrency is new and unregulated, anyone can call themselves an expert. Just like any other financial advisor, you need to scrutinize whom you are dealing with first. Since decentralized Bitcoin started in 2009, cryptocurrency has had its share of hacking and fraud. Recently, the Federal Trade Commission reported median losses of at least $1900 in complaints between 2020 and 2021.

Here are a few guidelines to follow when looking for someone to help you learn the cryptocurrency investing ropes:

- Make sure you know their true identity
- Run from people who use alternate names online
- Ask for references you can call and speak to
- Don’t listen to people who guarantee you’ll make money
- Avoid people who want the money sent by gift card or other untraceable methods
- Make them pay by a verifiable method
- Avoid anyone who wants control of your funds rather than letting you do it yourself
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- Avoid anyone who wants control of your funds rather than letting you do it yourself
- Never trust someone who promises you free money to get started
- Shun anyone with easy and fast money claims
- Check out their reputation online by doing a search with the words, “scam”, “review”, and “complaint” next to their business name

You can find excellent financial mentors online if you take the time to investigate their reputations and background. Try to set up a meeting before you hire them or pay them anything. You should also ask them questions about how they will be teaching you and what you will learn before moving forward.

Conclusion

If you take this cryptocurrency investing advice seriously, you should be able to avoid losing money in this new and challenging investment opportunity. It would be wise to go back and review this article several times because there is valuable information packed in here - especially if you are new to crypto. Do you have cryptocurrency investing experience and would like to give us your advice? Great, we’d love to hear from you! Please leave your thoughts in the comment box below; it will make our day.